SEVENTH AND FINAL REPORT

Province of Alberta

SPECIAL FORCES PENSION BOARD

for the period April 1, 1985 to October 31, 1985
(with statistics to March 31, 1986)

ISSN 0228-0094

SEVENTH AND FINAL REPORT

of the

SPECIAL FORCES PENSION BOARD

pursuant to

SPECIAL FORCES PENSION ACT

for the period
April 1, 1985 to October 31, 1985
(*including statistics to 31-Mar-86*)

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

To the Honourable Helen Hunley
Lieutenant Governor in Council

May it Please Your Honour:

I have the honour to submit the Seventh and Final Report of the Special Forces Pension Board for the period April 1, 1985 to October 31, 1985, pursuant to the Special Forces Pension Act, which was repealed November 1, 1985, and replaced by the Special Forces Pension Plan Act.

On November 1, 1985 the Special Forces Pension Plan Act came into force. In accordance with Section 4 of that Act this document also reports on the operation of the Plan for the period November 1, 1985 to March 31, 1986. An independent actuarial valuation carried out at March 31, 1985 estimated the accrued liability of the Special Forces Pension Plan to be $389,281,000. The normal actuarial cost of the Plan as a percentage of payroll was 26.4%.

Dick Johnston
Minister for Pensions

Alberta
GOVERNMENT PENSION BOARDS

12th Floor, Legislature Annex, 9718 - 107 Street, Edmonton, Alberta, Canada T5K 1E4 403/427-7105

The Honourable Dick Johnston
Provincial Treasurer
Minister for Pensions
Government of the Province of Alberta
Edmonton, Alberta.

Sir:

I have the honour to submit the Seventh and the Final Report of the Special Forces Pension Board for the period April 1, 1985 to October 31, 1985, pursuant to the *Special Forces Pension Act* which was repealed November 1, 1985. The former pension Act was replaced by the Special Forces Pension Plan Act. The new legislation transferred the authority to set policy and administer the plan from the Board to the Minister. For comparison purposes, the statistics in this report have been provided for the complete fiscal year 1985-86.

The statistical and financial information provided in the report has been obtained from the internal records of the Board and Payroll and Pensions Division of Alberta Treasury, and has not been subjected to an independent audit.

After over six years of operations involving administration of the plan, setting of effective pension policy and resolution of appeals, the Special Forces Pension Board brings this chapter of its operations to a close and looks forward to serving the membership and the Government in its new role as an appellate and advisory body.

Respectfully submitted,

J.E. Faries
Chairman
Special Forces Pension Board

TABLE OF CONTENTS

	PAGE
Special Forces Pension Board	vii
Historical Summary	1
Report on the Activities of the Board	3
Summary - Participation	5
- Contributions	5
- Refunds of Contributions	5
- Retirements and Pensions	5
- Death-in-Service Benefits	6
Contributions Received (1985-86)	7
Transfers by Book Entry	7
Monthly Dollar Value of Pensions	9
Pensions in Effect at March 31, 1986	10
Comparative Statistics	12
Summary of Receipts and Payments	13

SPECIAL FORCES PENSION BOARD

BOARD CHAIRMAN

J.E. Faries
Chairman
Government Pension Boards

VICE-CHAIRMAN

G.E. Witherden
Director
Law Enforcement Division
Solicitor General's Department

MEMBERS

John A. Pare
General Manager
Personnel Department
City of Edmonton

Norman E. Koch
President
Edmonton Police Association

Don Attridge
Personnel Supervisor
City of Medicine Hat

Sidney Shields
Representative
Alberta Federation of
Police Associations

Allan F. Collins
Special Advisor
to the Provincial Treasurer

SPECIAL FORCES PENSION PLAN

HISTORICAL SUMMARY

The Special Forces Pension Act, 1978 was passed by the Alberta Legislature to establish a contributory pension plan for the police officers employed by local authorities in Alberta. In operation since April 1, 1979, the plan includes chiefs and deputy chiefs of police forces. The program was administered by the Special Forces Pension Board, consisting of the Chairman and at least four members representing the police associations, the local authorities and the Government of Alberta.

New direction for Alberta plans was set when the contribution rate was set at a global rate of 14 per cent of payroll to fund the plan. The percentages payable by a local authority and by the participants were not prescribed by legislation but were left to be determined by negotiation between the local authority and the police association.

Pension benefits, on retirement, are determined by multiplying the years of pensionable service (maximum 35) by two per cent of the retiring member's average salary over the best consecutive five years. A Normal Pension is payable for the pensioner's life or a minimum period of 60 months. On the pensioner's death, 65 per cent of the pension continues to an eligible spouse for life or until re-marriage.

In the event of death occuring while still in service, of a member having at least five years of pensionable service, the surviving spouse is entitled to 65 per cent of the Normal Pension the member would have been entitled to, taking into account the pensionable service that would have accumulated had the member lived to age 60. Similarly, if total disability occurs while the member is still in service, a pension is payable immediately, based on total pensionable service that would have been accumulated had the member continued to serve to age 60.

The Special Forces Pension Plan is integrated with the Canada Pension Plan and, to reflect this integration, pension is adjusted when the member reaches or would have reached 65 years of age. The reduction in pension is determined by multiplying 0.6 per cent of the average of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, for the five years preceding retirement, by the number of years of pensionable service after December 31, 1965.

The minimum period of pensionable service needed to qualify for a pension is five years. An unreduced full-formula pension may be granted at age 60 or at any age if the retiring member had established at least 25 years of pensionable service.

During the time the Special Forces Pension Board had authority

to set policy, the following decisions were made:

1. Approved nine employers for participation in the plan.

2. Defined the term "policeman" for the purpose of the pension plan.

3. Recommended to the Minister, annually from 1979 to 1985, the rate of cost of living adjustment to pensions.

4. Concluded a reciprocal agreement with the Local Authorities Pension Board for transfer of pension credits.

5. Prescribed the terms and conditions for recognition of prior service as "pensionable service" under the plan.

6. Prescribed criteria and limitations for recognition of the periods of leave without pay as "pensionable service".

7. Approved co-ordination of pension options other than Joint Life, with Canada Pension Plan and/or Old Age Security, in case of early retirement, including early retirement due to partial disability; early retirement due to total disability to be co-ordinated with Old Age Security only.

8. Prescribed criteria for approval of Long Term Disability Income Continuance Plans and defined "pensionable salary" during the periods of long term disability.

9. Prescribed terms and conditions for the re-employment of retired members.

10. Prescribed the interest rate applicable for commuting pensions to lump sum payments.

11. Prescribed the interest rate payable on overdue contributions.

On November 1, 1985, the Special Forces Pension Act was replaced by the Special Forces Pension Plan Act. Under the new legislation, the administrative and policy-setting functions of the Special Forces Pension Board were transferred to the Minister and the Board was assigned a new role as an appellate and advisory body. Further, with a view to providing spousal protection, the new legislation requires that a prospective pensioner, having a spouse, choose a Normal Pension, unless a waiver is provided by the spouse.

REPORT ON THE ACTIVITIES OF THE BOARD AND OPERATION OF THE ACT

The Special Forces Pension Board met three times during the period from April 1, 1985 to October 31, 1985 and dealt with the following policy matters:

1. Reviewed the 1984 actuarial report and, following discussions with the actuary, the Controller, Alberta Treasury and the Director, Payroll and Pensions, the Board directed the Chairman to forward their concerns to Alberta Treasury.

2. Reviewed and received for information the cash flow study as at March 31, 1984.

3. Reviewed the rate of interest payable on refunds of contributions and resolved not to change the current rate of four per cent per annum, compounded semi-annually.

4. Reviewed the rate of interest payable on refunds of contributions and resolved not to recommend a change in the current rate of four per cent per annum, compounded semi-annually.

5. Board considered but deferred decision on the proposal concerning "potential service".

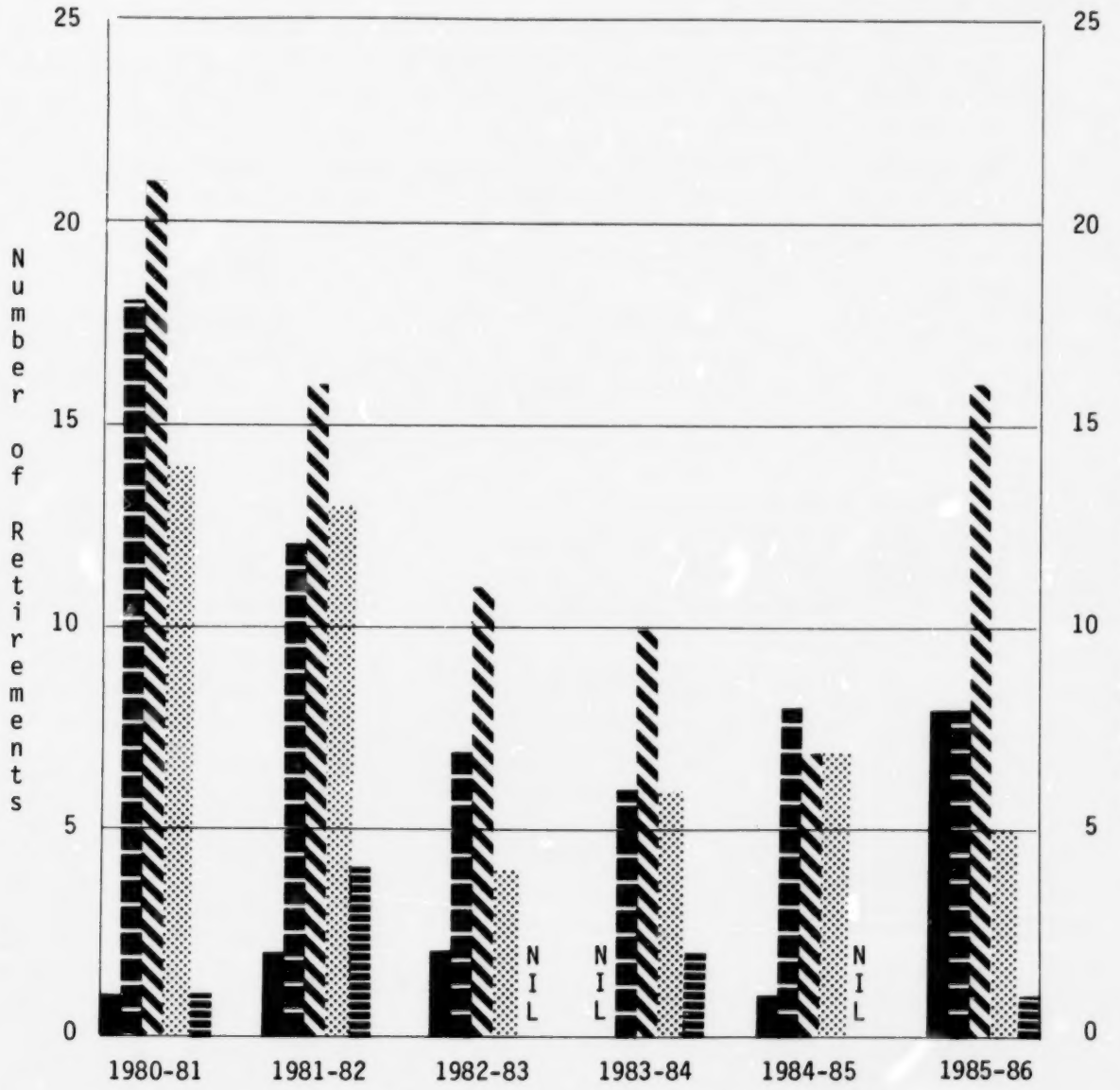
6. Reviewed the definition of "salary" under the Act and resolved not to recognize the "Working Condition Allowance" paid to the police officers in Medicine Hat, as part of "salary" for pension purposes.

The Board also considered and provided direction in nine cases relating to prior service, leave of absence in excess of 12 months, potential service of a deceased police officer for the purpose of calculating the spouse's pension, disability retirements and determination of effective retirement date.

Two issues of the pension newsletter POSTSCRIPT were published by the Pension Boards Secretariat and distributed during the period to pensioners who had retired under one of the six pension plans sponsored by the Government. The circulation of the newsletter was approximately 20,000. The aim of the publication was to keep the pensioners informed of pension developments and other items of interest, and to provide a forum for their concerns and views. The responsibility for publication of POSTSCRIPT has been transferred to the Alberta Retired Public Employees Society.

Three seminars were presented during the period by the Pension Boards Secretariat on behalf of the Special Forces Pension Board, for the members and representatives of employers participating in the pension plan.

NORMAL AND EARLY RETIREMENTS
(6-year comparison)



PARTICIPATION

As of March 31, 1986, there were nine employers with 2,549 contributors participating in the plan. The number of contributors declined by one per cent from the number of contributors a year earlier.

CONTRIBUTIONS

Pension contributions by members and employers totalled $13,945,073.19 during the period April 1, 1985 to March 31, 1986. Total receipts, including the interest on overdue receivables in the amount of $1,788.18, were about three per cent lower than the total receipts in 1984-85.

REFUNDS OF CONTRIBUTIONS

Member contributions and interest, totalling $341,835.09, were refunded during the year to members terminating their employment. Of this, a sum of $254,493.16 was paid out directly to the terminating members and a sum of $87,341.93 was transferred to their registered retirement savings plans and registered pension authorities without reciprocal agreements.

Excess contributions in the amount of $2,806.17 were refunded during 1985-86.

RETIREMENTS AND PENSIONS

Thirty-eight police officers retired during the year, eight at the normal retirement age of 60 and 30 before age 60, on full-formula unreduced pensions. Of the later, eight officers retired between the ages of 55 and 59, 16 officers between the ages of 50 and 54, five officers between the ages of 45 and 49 and one officer before age 45. *Under the Special Forces Pension Act, police officers with 25 or more years of pensionable service may retire on an unreduced pension at any age.*

Thirty-five retiring members opted for the Normal Pension which, in the event of the member's death, pays the surviving spouse a Spousal Pension equalling 65 per cent of the retired member's pension for life. One retired member selected a pension guaranteed for a term of 15 years while two chose pensions guaranteed for a term of 20 years.

One pensioner died during the year and the pension was transferred to the beneficiary to complete the guaranteed term.

As of March 31, 1986, there were 227 pensions being paid to the retired members or their beneficiaries and surviving spouses, inclu-

ding one advance being paid to a retiree, pending finalization of pension file. Two hundred and four pensions were co-ordinated with the Canada Pension Plan and/or the Old Age Security.

The average age of the members who retired during the year was approximately 53.65 years, up from the average retirement age of 52.30 years in 1984-85.

DEATH-IN-SERVICE BENEFITS

Six police officers died while in service during the year. Five of the surviving spouses were granted Spousal Pensions and the beneficiary of one officer was granted a lump sum benefit.

All the five surviving spouses chose Single Life Pensions, co-ordinated with the Old Age Security. Spousal Pensions cannot be co-ordinated with the Canada Pension Plan, as surviving spouses are eligible to receive the surviving spouse's pension directly from the Canada Pension Plan.

C O N T R I B U T I O N S R E C E I V E D
(April 1, 1985 to March 31, 1986)

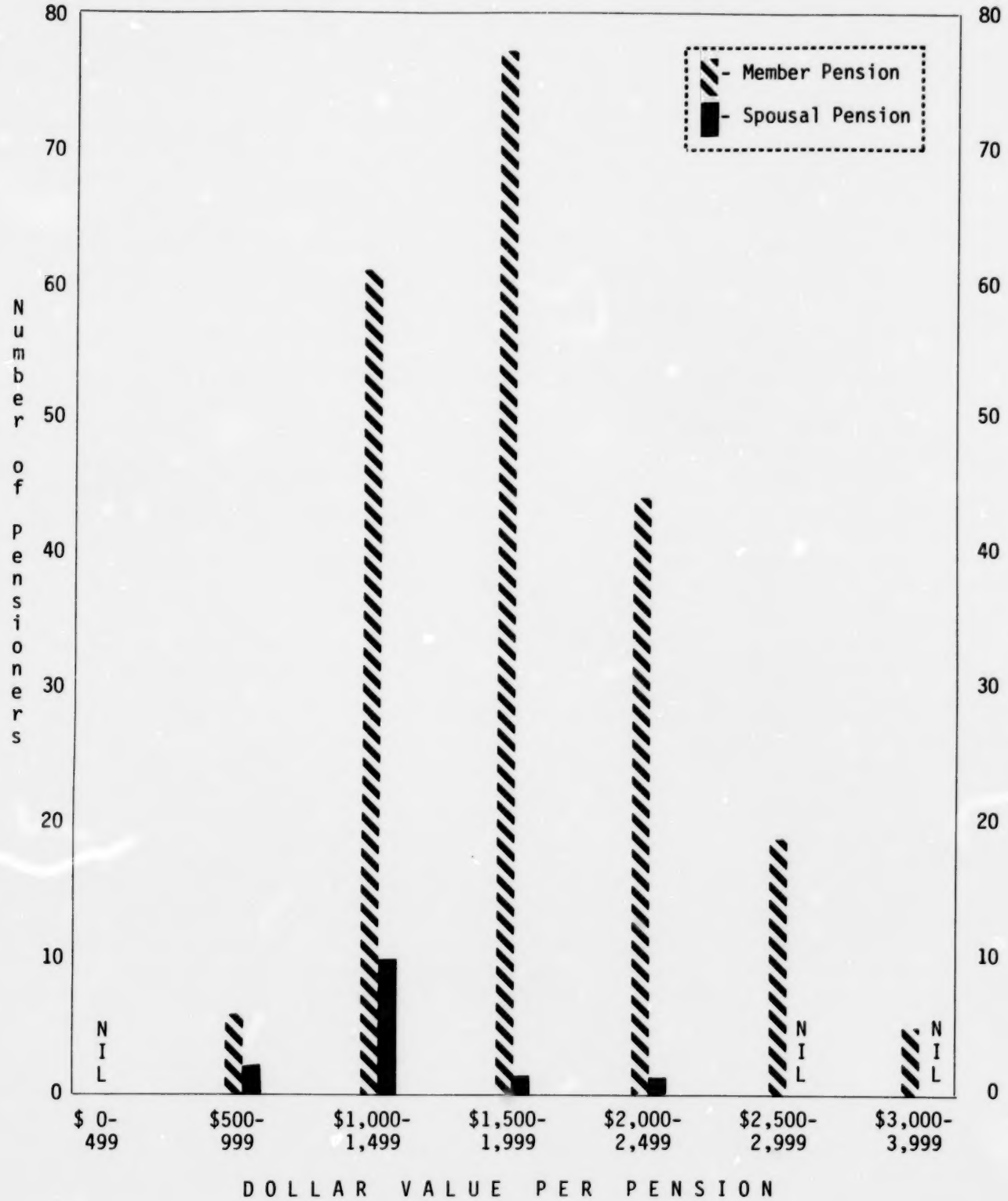
EMPLOYER	Number of Accounts at 31-Mar-86	Member Contributions	Employer Contributions
City of Calgary	1,213	$3,107,948.47	$3,462,069.89
City of Camrose	21	57,454.61	59,874.42
City of Edmonton	1,115	2,888,140.06	3,253,557.50
City of Lethbridge	97	258,492.87	281,411.96
City of Medicine Hat	71	207,322.60	228,313.87
Town of Coaldale	7	14,621.52	17,132.43
Town of Lacombe	9	21,240.32	17,820.68
Town of Radcliff	9	18,143.67	17,284.51
Town of Taber	7	16,846.05	17,397.76
Totals	2,549	$6,590,210.17	$7,354,863.02

TRANSFERS BY BOOK ENTRY

A sum of $45,435.71 was transferred during the fiscal year 1985-86, by book entry, from the Local Authorities Pension Plan to the Special Forces Pension Plan. A transfer by book entry, in the amount of $2,483.83, was made during the year from the Special Forces Pension Plan to the Local Authorities Pension Plan. These transfers are not reflected in the Summary of Receipts and Payments.

MONTHLY DOLLAR VALUE OF PENSIONS

(at March 31, 1986)



MONTHLY DOLLAR VALUE OF PENSIONS

The monthly dollar value of pensions being paid at March 31, 1986 was as follows:

DOLLAR VALUE PER MONTH	NUMBER OF PENSIONS AND PERCENTAGE OF TOTAL		
	Member Pensions	Spousal Pensions	Total
$ 0 - 499	0	0	0
500 - 999	6 (2.6%)	2 (0.9%)	8 (3.5%)
1,000 - 1,499	61 (27.0%)	10 (4.4%)	71 (31.4%)
1,500 - 1,999	77 (34.0%)	1 (0.5%)	78 (34.5%)
2,000 - 2,499	44 (19.4%)	1 (0.5%)	45 (19.9%)
2,500 - 2,999	19 (8.4%)	0	19 (8.4%)
3,000 - 3,499	4 (1.8%)	0	4 (1.8%)
3,500 - 3,999	1 (0.5%)	0	1 (0.5%)
Totals	212 (93.7%)	14 (6.3%)	226*(100.0%)

The lowest member pension at March 31, 1986 was $704.00 per month and the highest was $3,541.00 per month. The average monthly pension paid to a member was $1,828.00 while the median monthly pension was $1,750.00.

The lowest surviving spouse pension at March 31, 1986 was $969.00 per month and the highest was $2,086.00 per month. The average monthly pension paid to a surviving spouse was $1,329.00 while the median monthly pension was $1,279.00.

**Excluding one pension advance.*

PENSIONS IN EFFECT

The following pensions were being paid at March 31, 1986:

RETIRED MEMBERS' PENSIONS

Type of Pension	Number	Percentage of Total
Normal Pension*	205	96.6%
Life Pension with a guaranteed term of 5 years	1	0.5%
Life Pension with a guaranteed term of 10 years	1	0.5%
Life Pension with a guaranteed term of 15 years	1	0.5%
Life Pension with a guaranteed term of 20 years	4	1.9%
Total number of retired members' pensions	212	100.0%

SPOUSAL PENSIONS (member deceased before retirement)

All the 14 Spousal Pensions which were being paid at March 31, 1986 to the surviving spouses of the deceased police officers were Single Life Pensions, with no guaranteed term. (Surviving spouses have the option to convert their "Life" pensions to actuarially-reduced pensions guaranteed for a term of 5, 10, 15 or 20 years.)

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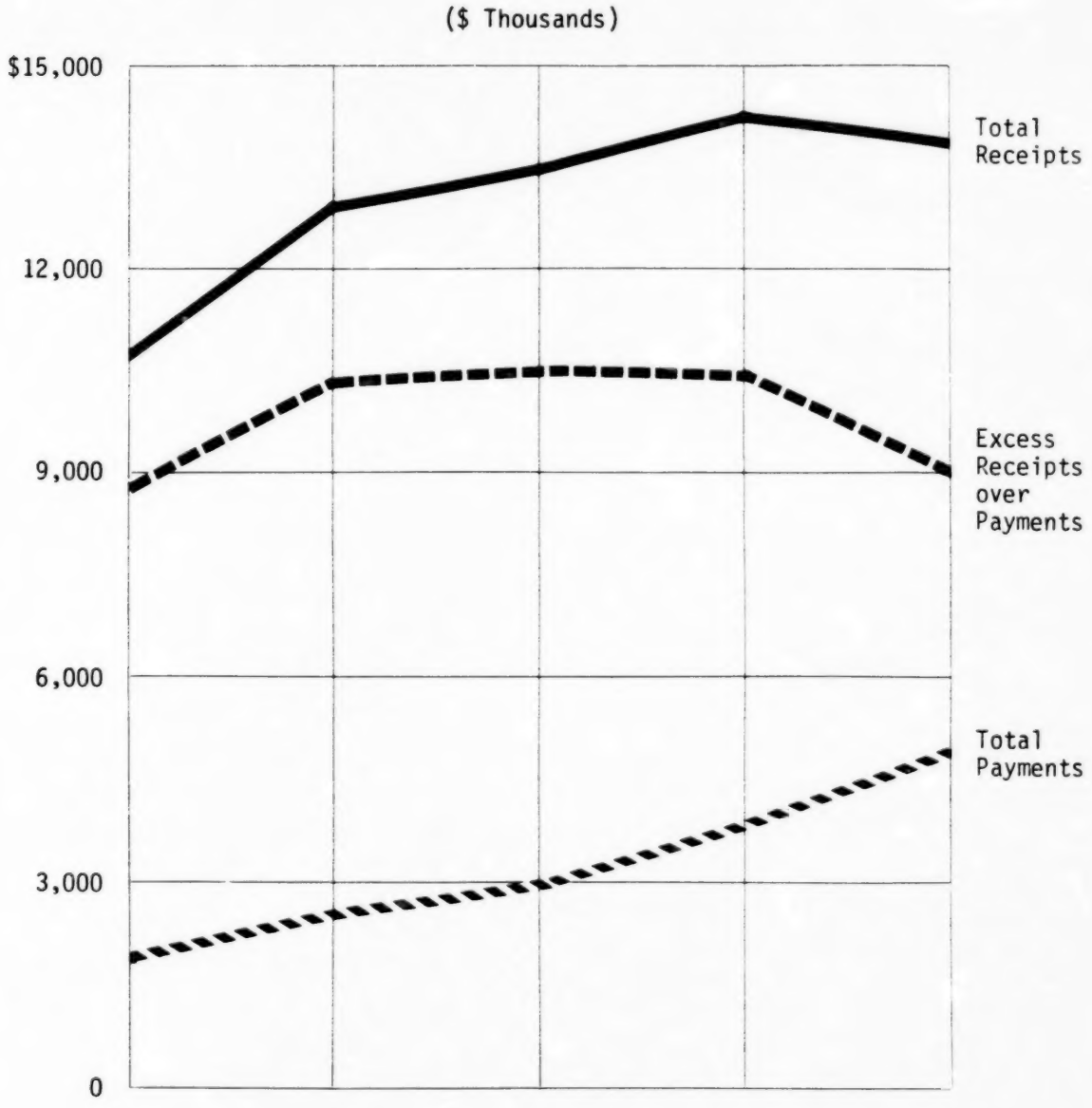
*A Normal Pension is payable for the pensioner's life and a minimum period of 60 months. In the event of a pensioner's death, 65 per cent of the pension continues to be paid to the eligible spouse for life or until re-marriage.

TOTAL RECEIPTS AND PAYMENTS
(5-YEAR COMPARISON)



	1981-82	1982-83	1983-84	1984-85	1985-86
Total Receipts:	$10,756	$12,994	$13,546	$14,317	$13,947
Excess Receipts over Payments:	8,823	10,429	10,566	10,538	9,063
Total Payments:	1,933	2,565	2,980	3,779	4,884

C O M P A R A T I V E S T A T I S T I C S

(April 1, 1979 to March 31, 1986)

($ Thousands)

FISCAL YEAR	RECEIPTS			PAYMENTS			EXCESS OF RECEIPTS OVER PAYMENTS
	Member Contributions	Employer Contributions	TOTAL	Benefits	Withdrawals	TOTAL	
	$	$	$	$	$	$	$
1979-80	1,172	1,442	2,614	58	151	209	2,405
1980-81	4,170	7,752	11,922	711	326	1,037	10,885
1981-82	4,822	5,934	10,756	1,574	359	1,933	8,823
1982-83	6,146	6,848	12,994	2,216	349	2,565	10,429
1983-84	6,392	7,154	13,546	2,788	192	2,980	10,566
1984-85	6,733	7,583	14,317*	3,560	219	3,779	10,538*
1985-86	6,590	7,355	13,947*	4,539	345	4,884	9,063*

*Including interest earned on overdue receivables.

SPECIAL FORCES PENSION PLAN

SUMMARY OF RECEIPTS AND PAYMENTS
for the period
April 1, 1985 to March 31, 1986
(UNAUDITED)

R E C E I P T S

CONTRIBUTIONS	1985-86	1984-85
Members	$ 6,590,210.17	$ 6,732,863.01
Employers	7,354,863.02	7,583,268.35
Interest earned on overdue receivables	1,788.18	1,353.10
	$13,946,861.37	$14,317,484.46

P A Y M E N T S

BENEFITS		
Pensions to retired members	$ 4,313,613.50	$ 3,408,406.77
Pensions to surviving spouses	203,636.76	126,848.65
Lump sum payments to beneficiaries/ estates of the deceased members	21,585.70	24,758.98
	$ 4,538,835.96	$ 3,560,014.40
WITHDRAWALS		
Contributions and interest refunded to terminating members	$ 254,493.16	$ 143,652.19
Contributions and interest in respect of members transferred to other pension authorities without reciprocal transfer agreements	87,341.93	45,965.26
Refunds of excess contributions	2,806.17	29,410.85
	$ 344,641.26	$ 219,028.30
	$ 4,883,477.22	$ 3,779,042.70
EXCESS OF RECEIPTS OVER PAYMENTS	$ 9,063,384.15	$10,538,441.76

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other Alberta pension plans, made by book entry.